

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 XMB-04 /022 W

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R 241400Z DEC 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 3097

US DEPARTMENT OF COMMERCE

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 10956

E.O. 11652: N/A

TAGS: BEXP ETEL BR

SUBJECT: BUSINESS OPPORTUNITY: DOMESTIC COMMUNICATIONS SATELLITE

REF: STATE 297483

1. EMBOFF MET DEC. 19 WITH BENJAMIN HIMELGRYN, ASSISTANT TO  
TECHNICAL DIRECTOR OF TELEBRAS AND HEAD OF SATELLITE WORKING  
GROUP (NOW DISBANDED) WHICH DREW UP SPECIFICATIONS FOR DOMESTIC  
COMMUNICATIONS SATELLITE (DCS) AND EARTH STATIONS. HIMELGRYN  
ADVISED THAT PRELIMINARY REQUESTS FOR PROPOSALS (RFPS) HAD  
BEEN ISSUED TO FOLLOWING FIRMS.

GROUND STATIONS:	SATELLITE:
GENERAL ELECTRIC	GENERAL ELECTRIC
PHILLIPS	HUGHES
NEC	RCA
SCIENTIFIC ATLANTA	AERO-FORD
AERO-FORD	MATRA (FRANCE)
ITT	CIFAS (FRANCE)
RCA	
SIEMENS	
HUGHES	
GTE	
THOMSON CSF	
COLLINS	
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STS (ITALIAN CONSORTIUM)

SERVICE CHARGE OF US\$ 2,200 AND US\$1,100 LEVIED FOR COPIES OF GROUND STATION AND SATELLITE SPECIFICATIONS, RESPECTIVELY. SPECS ARE NOT RPT NOT AVAILABLE TO OTHER FIRMS. HIMELGRYN INDICATED GOB SIMPLY NOT INTERESTED IN RECEIVING PROPOSALS FROM OTHER FIRMS, BELIEVES THAT ABOVE LISTED COMPANIES ARE THE ONLY ONES WHO CAN PROVIDE DCS SYSTEM THAT BRAZIL WANTS.

2. HIMELGRYN STRESSED PRELIMINARY NATURE OF RFPS NOTING THAT FINAL APPROVAL FROM PRESIDENT GEISEL STILL PENDING. HIMELGRYN HOPED THAT APPROVAL WOULD BE GRANTED BY END OF JANUARY AFTER WHICH ABOVE FIRMS WOULD HAVE ANOTEHR 60 DAYS TO SUBMIT FINAL PROPOSALS. IN ANSWER TO EMBOFF'S QUERY RE EFFECT OF BALANCE OF PAYMENTS PROBLEMS ON DCS PROGRAM, HIMELGRYN OFFERED PERSONAL OPINION THAT PROJECT WOULD GO AHEAD ON SCHEDULE. FURTHERMORE, HE DOES NOT FRE-SEE FIRST IMPORTATION OF REQUIRED EQUIPMENT UNTIL 1977.

3. WORKING GROUP PLANS CALL FOR THREE SATELLITES (TWO IN ORBIT, ONE "ON SHELF") AND SEVENTEEN GROUND STATIONS IN FIRST PHASE (OPERATIONAL BY 1978). OF REMAINING 27 PLANNED GROUND STATIONS, PLAN IS TO ENGAGE FOREIGN FIRMS AS PRINCIPAL CONTRACTORS BUT TO EMPLOY AS MANY DOMESTIC COMPANIES AS POSSIBLE AS SUB-CONTRACTORS. DCS WILL HAVE MILITARY CHANNEL CAPABILITY BUT BRAZILIAN ARMED FORCES HAVE YET TO IDENTIFY SPECIFIC REQUIREMENTS. CURRENT ESTIMATED TOTAL COST FOR INITIAL PHASE OF PROJECT IS US\$ 132 MILLION OF WHICH \$40 MILLION WILL BE PUT UP BY THE GOB (3/4 IN CRUZEIROS) AND \$92 MILLION WILL COME FROM FOREIGN SOURCES.

4. HIMELGRYN REFERRED TO TWO FINANCING PROBLEMS WHICH HE BELIEVES COULD HINDER US CHANCES: VIZ., EXIMBANK'S REFUSAL TO ACCEPT LOAN GUARANTEE FROM TELEBRAS AND EXIMBANK'S LIMIT ON FINANCING TERMS (7-8 YEARS) FOR PROJECTS OF THIS SIZE. TELEBRAS WOULD PREFER 10-10 1/2 YEARS (2-2 1/2 YEARS GRACE PERIOD AND 8 YEARS FOR REPAYMENT). RE FORMER PROBLEM, EMBOFF ASKED WHY GOB COULD NOT GUARANTEE TELEBRAS LOAN. HIMELGRYN REPLIED THAT NECESSARY CHANGE IN LAWS AND REGULATIONS WOULD INVOLVE "INCREDIBLY LONG AND COMPLEX" BUREAUCRATIC  
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PROCEDURES.

5. IN RESPONSE TO EMBOFF REQUEST FOR HIS OPINION ON OVERALL CHANCES OF US FIRMS WINNING CONTRACTS FOR BOTH SATELLITES AND GROUND STATIONS, HIMELGRYN ONLY SHRUGGED AND SAID "WATCH OUT FOR THE EUROPEANS."  
CRIMMINS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COMMUNICATION SATELLITES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 DEC 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975BRASIL10956  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750447-0982  
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**Line Count:** 112  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 297483  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <11 JUN 2003 by ReddocGW>; APPROVED <06 FEB 2004 by ElyME>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BUSINESS OPPORTUNITY: DOMESTIC COMMUNICATIONS SATELLITE  
**TAGS:** BEXP, ETEL, BR  
**To:** STATE COM  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006